

Message Text

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PAGE 01 STATE 128663

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EGEN, EFIN, EINV, AR

SUBJECT: NEW GOA INSURANCE REGULATION

REF: (A) BUENOS AIRES 3879; (B) BUENOS AIRES 3659

1. DEPARTMENT APPRECIATES ASSESSMENT PROVIDED IN REFTELS.

WE HAVE ALSO HAD AN OPPORTUNITY TO DISCUSS RESULTS OF
AIU VISIT TO ARGENTINA WITH AIU ATTORNEY RANDAL DRAIN AS
WELL AS ASPECTS OF ARGENTINE INSURANCE SITUATION WITH
OTHER INTERESTED USG AGENCIES.

2. WE FIND LITTLE MERIT IN GOA ARGUMENT THAT NEW REGULA-
TIONS ARE IN FACT MORE LIBERAL THAN THOSE PROMULGATED UNDER
PERONIST REGIME. SINCE PREVIOUS REGULATIONS WERE EITHER
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PAGE 02 STATE 128663

NOT ENFORCED, OR CONTAINED PROVISIONS WHICH ENABLED FOREIGN
COMPANIES TO COMPETE, QUESTION OF THEIR BEING MORE OR LESS
SEVERE THAN THOSE NOW BEING CONSIDERED BECOMES MOOT AS
IT WOULD APPEAR THAT GOA DOES INTEND TO ENFORCE NEW REGU-
LATIONS. THE NET EFFECT WOULD BE TO DISCRIMINATE AGAINST
AMERICAN INSURANCE COMPANIES WHICH HAD HERETOFORE OPERATED
ON A MORE EQUAL BASIS WITH THEIR ARGENTINE COUNTERPARTS.

3. DEPARTMENT IS UNABLE TO PROVIDE AN ASSESSMENT OF APPLICABILITY OF SECTION 301 OF THE 1974 TRADE REFORM ACT TO AIU (AND OTHER US INSURANCE COMPANIES) COMPLAINT. HOWEVER, SECTION 301 IS INTENDED IN PART TO PROVIDE SERVICE COMPANIES WITH RELIEF FROM UNFAIR TRADE PRACTICES AND IT WOULD BE UP TO THE COMPANY TO DECIDE WHETHER OR NOT IT WISHED TO FILE A COMPLAINT. WE ARE OBVIOUSLY NOT IN A POSITION TO DETERMINE AT THIS TIME THE MERITS OF ANY SUCH COMPLAINT. IF IT HAS NOT ALREADY DONE SO, EMBASSY MAY WISH TO MAKE GOA AWARE OF PROVISIONS OF SECTION 301 WITHOUT COMMENTING AS TO ITS APPLICABILITY IN THIS PARTICULAR INSTANCE. WE UNDERSTAND FROM DRAIN THAT THIS INFORMATION WAS SPECIFICALLY REQUESTED BY SECRETARY ALEMAN IN HIS CONVERSATION WITH AIU OFFICIALS.

4. DEPARTMENT CONTINUES TO BELIEVE THAT A DEMARCHE TO THE GOA REGARDING THE PROPOSED NEW INSURANCE REGULATIONS WOULD BE APPROPRIATE. IN ADDITION TO LONGSTANDING LEGAL DISCRIMINATION AGAINST FOREIGN INSURANCE COMPANIES, EMBASSY SHOULD POINT OUT:

1) POSITIVE ASPECTS OF SERVICES PROVIDED BY US INSURANCE COMPANIES ALREADY ESTABLISHED IN ARGENTINA TO ARGENTINE BUSINESS COMMUNITY;

2) POTENTIAL DRASTIC LOSS OF BUSINESS TO THESE US FIRMS AS A RESULT OF DISCRIMINATION, ESPECIALLY PROVISIONS STIPULATING THAT ALL NATIONAL AND LOCAL GOVERNMENT ENTILIMITED OFFICIAL USE

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PAGE 03 STATE 128663

TIES, PERSONS, AND BUSINESSMEN RECEIVING TAX BREAKS OR BENEFITS MUST INSURE ONLY WITH NATIONAL COMPANIES;

3) INCONSISTENCY BETWEEN SPIRIT OF FOREIGN INVESTMENT LAW AND NEW REGULATIONS; THIS MAY DETRACT FROM RENEWED GOA EFFORT TO ATTRACT FOREIGN INVESTORS;

4) INAPPLICABILITY OF COMPARISON BETWEEN BETWEEN NEW AND OLD REGULATIONS AS LATTER WERE NOT ENFORCED; AND

5) POSSIBLE TRADE COMPLAINT ACTION BY AIU.

5. EMBASSY MAY WISH TO CONSIDER JOINT DEMARCHE WITH BRITISH AND OTHER INTERESTED COUNTRIES. DEPARTMENT WOULD APPRECIATE EMBASSY REPORT FOLLOWING DEMARCHE. CHRISTOPHER

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